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SOUTHEASTERN LOUISIANA UNIVERSITY
ALUMNI ASSOCIATION, INC.

FOUNDED 1893

HAMMOND, LOUISIANA

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Release Date: 11/13/93



Hannis T. Bourgeois, LLP

Certified Public Accountants

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August 21, 2002

Independent Auditor's Report

To the Board of Directors of
Southeastern Louisiana University
Alumni Association, Inc.
506 W. Columbus Drive
Harmon, Louisiana 70001

We have audited the accompanying Statement of Financial Position of Southeastern Louisiana University Alumni Association, Inc. (a nonprofit organization) as of June 30, 2002, and the related Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2001 is presented for comparative purposes only and was extracted from the financial statements for that year, in which an unqualified opinion dated August 23, 2001 was expressed.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Louisiana University Alumni Association, Inc. as of June 30, 2002, and the change in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Hannis T. Bourgeois, LLP

SOUTHEASTERN LOUISIANA UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2002
WITH COMPARATIVE TOTALS FOR 2001

| ASSETS | | |
|--|----------------|----------------|
| | <u>2002</u> | <u>2001</u> |
| Current Assets: | | |
| Cash | \$ 240,490 | \$ 206,285 |
| Accounts Receivable | 8,155 | 12,500 |
| Prepaid Expenses | <u>1,859</u> | <u>2,521</u> |
| Total Current Assets | 251,499 | 221,406 |
| Property and Equipment - at Cost Less Accumulated | | |
| Depreciation of \$153,778 in 2002 and \$158,848 in 2001 | <u>613,952</u> | <u>605,082</u> |
| Total Assets | \$ 867,451 | \$ 826,508 |

LIABILITIES AND NET ASSETS

| | | |
|-------------------------------------|---------------|---------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 6,132 | \$ 1,831 |
| Notes Payable (Due Within One Year) | 36,340 | 18,603 |
| Deferred Membership Taxes | <u>38,819</u> | <u>38,400</u> |
| Total Current Liabilities | 82,491 | 51,924 |
| Long-Term Liabilities: | | |
| Notes Payable (Due After One Year) | 208,918 | 238,557 |
| Net Assets: | | |
| Unrestricted | 578,041 | 552,446 |
| Temporarily Restricted | <u>8,801</u> | <u>15,581</u> |
| Total Net Assets | 578,042 | 568,027 |
| Total Liabilities and Net Assets | \$ 867,451 | \$ 826,508 |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN LOUISIANA UNIVERSITY
ALUMNI ASSOCIATION, INC.**

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2002
WITH COMPARATIVE TOTALS FOR 2001**

| | 2002 | | | 2001 |
|---|--------------|---------------------------|------------|------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| Support and Revenue: | | | | |
| Membership Dues | \$ 61,248 | \$ - | \$ 61,248 | \$ 48,970 |
| Student Fees | 81,058 | - | 81,058 | 77,026 |
| Special Income | 10,975 | - | 10,975 | 12,941 |
| Alumni Athletic Fund | - | 7,402 | 7,402 | - |
| Lina's Pride - 75 th Anniversary | - | 133 | 133 | 4,443 |
| Credit Card Royalties | 60,000 | - | 60,000 | 60,000 |
| Other Income | 9,539 | - | 9,539 | 1,864 |
| Interest | 2,135 | - | 2,135 | 668 |
| Rental | 180 | 37,483 | 37,583 | 34,684 |
| | 235,435 | 45,018 | 370,473 | 344,298 |
| Net Assets Released from Restrictions: | | | | |
| Restrictions Satisfied by Payments | 52,298 | (52,298) | - | - |
| Total Support and Revenue | 278,853 | (7,280) | 370,473 | 344,298 |
| Expenses: | | | | |
| Program Services: | | | | |
| Alumni Center | 34,285 | - | 34,285 | 63,034 |
| University Promotions | 48,159 | - | 48,159 | 32,718 |
| Southeastern Development Foundation, Inc. Donation | 60,000 | - | 60,000 | 60,000 |
| Special Events | 19,561 | - | 19,561 | 20,528 |
| Chapter Expenses | 22,678 | - | 22,678 | 11,718 |
| Scholarships | 5,086 | - | 5,086 | 3,400 |
| Supporting Services: | | | | |
| Management and General | 38,966 | - | 38,966 | 32,093 |
| Membership Development Expenses | 11,743 | - | 11,743 | 15,168 |
| Total Expenses | 260,438 | - | 260,438 | 235,685 |
| Increase (Decrease) in Net Assets | 17,565 | (7,280) | 10,285 | 8,613 |
| Net Assets at Beginning of Year | 552,646 | 15,281 | 568,027 | 550,414 |
| Net Assets at End of Year | \$ 570,041 | \$ 8,001 | \$ 578,042 | \$ 559,027 |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN LOUISIANA UNIVERSITY
ALUMNI ASSOCIATION, INC.**

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2003
WITH COMPARATIVE TOTALS FOR 2001**

| | <u>2003</u> | <u>2001</u> |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 18,813 | \$ 8,613 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation | 19,130 | 19,128 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | 3,393 | (12,518) |
| (Increase) Decrease in Prepaid Expenses | 679 | 4,388 |
| Increase (Decrease) in Accounts Payable | 4,300 | 1,450 |
| Increase (Decrease) in Deferred Revenue | <u>156,612</u> | <u>4,415</u> |
| Net Cash Provided by Operating Activities | 57,897 | 25,367 |
| Cash Flows from Financing Activities: | | |
| Repayment of Notes Payable | <u>(22,992)</u> | <u>(13,625)</u> |
| Net Cash Used in Financing Activities | <u>(22,992)</u> | <u>(13,625)</u> |
| Net Increase in Cash | <u>34,105</u> | <u>9,742</u> |
| Cash - Beginning of Year | <u>266,385</u> | <u>156,643</u> |
| Cash - End of Year | \$ 240,480 | \$ 266,385 |
| | <small>2003 2001</small> | <small>2001 2000</small> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash Payments for: | | |
| Interest | \$ 20,385 | \$ 21,393 |
| | <small>2003 2001</small> | <small>2001 2000</small> |

The accompanying notes are an integral part of this statement.

SOUTHEASTERN LOUISIANA UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 - Summary of Significant Accounting Policies -

General

The Southeastern Louisiana University Alumni Association, Inc. (the Association) is a non-profit organization exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. The mission of the Association is to preserve and strengthen the bonds of friendship existing among Southeastern Louisiana University's former students; to foster, preserve and perpetuate the University's ideals and traditions so as to enhance its prestige as an institution of learning; and establish strong ties between the University and its former students in order to promote its educational and physical growth.

The Southeastern Louisiana University Alumni Association, Inc. was incorporated December 5, 1948, under the provisions of Louisiana Revised Statutes 12:181-155 as a non-profit corporation.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Provision to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

During the year ended June 30, 2002, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost except for donated property. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Income Taxes

The Southeastern Louisiana University Alumni Association, Inc. is exempt from Federal income taxes as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code.

Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Association's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Concentration of Credit Risk

The Association maintains its cash in bank deposit accounts at a high credit quality financial institution. The balances, at times, may exceed federally insured limits. At June 30, 2002 the Association exceeded the insured limit by \$46,496.

Note 2 - Restrictions on Net Assets -

Temporarily restricted assets are available for the following purposes:

| | |
|-----------------------|--------------|
| The Alumni Center | \$ 999 |
| Alumni Athletics Fund | <u>2,432</u> |
| | \$ 3,431 |

Changes in Temporarily Restricted Net Assets for the fiscal year ended June 30, 2002 are as follows:

| | |
|--|---------------|
| Temporarily Restricted Net Assets at July 1, 2001 | \$ 15,581 |
| Additions to Net Assets Temporarily Restricted | <u>45,018</u> |
| Net Assets Released from Restrictions: | |
| The Alumni Center | 43,308 |
| Lion's Pride - 75 th Anniversary | <u>9,298</u> |
| | <u>52,598</u> |
| Temporarily Restricted Net Assets at June 30, 2002 | \$ 8,001 |

Note 3 - Property and Equipment -

Property and equipment as of June 30, 2002 consists of the following:

| | |
|--------------------------------|------------------|
| Building | \$ 781,483 |
| Furniture | <u>6,994</u> |
| Office Equipment | <u>3,255</u> |
| | 791,738 |
| Less: Accumulated Depreciation | <u>(155,716)</u> |
| | \$ 635,992 |

Depreciation of \$19,150 was charged to Program Services - Alumni Center for the fiscal year ended June 30, 2002.

Note 4 - Notes Payable -

The details of notes payable as of June 30, 2002 are as follows:

First Quarterly Bond

Note in the original amount of \$266,084, with an interest rate at 7.25% per annum until September 29, 1999, then converted to a variable interest rate of Citibank Prime plus 2%. On May 13, 2002, this note was refinanced at a new loan amount of \$237,140, with interest at 6.875%, payable in 86 payments of \$3,498. The loan is collateralized by the assignment of the lease on the building with Southeastern Louisiana University.

| |
|------------------|
| \$237,140 |
| (38,340) |
| <u>\$208,918</u> |

(continued)

Maturities of the long-term portion of debt are as follows:

| | |
|------------------------------|------------------|
| June 30, 2004 | \$ 28,158 |
| June 30, 2005 | 38,265 |
| June 30, 2006 | 32,440 |
| June 30, 2007 | 34,378 |
| June 30, 2008 and Thereafter | <u>81,234</u> |
| | <u>\$208,918</u> |

(continued)

Interest expense for the year ended June 30, 2002 was \$18,484.

Note 5 - Leases -

Leases

In connection with the construction of the Alumni Center, the Association (Tenant) entered into an agreement with the Board of Trustees for State Colleges and Universities (Landlord), a political subdivision of the State of Louisiana on October 7, 1983, to lease property located in Hammond, Louisiana. The Association had previously constructed a building on the leased premises, which they occupy as their Administrative offices. The term of the lease commenced on the day of execution of the agreement for a term of 99 years. The consideration of the lease is the construction of improvements by Tenant on the leased premises. In addition, the Tenant shall pay as rent the sum of \$1.00 per year

commencing from the date of substantial completion of the Tenant's improvements through the remaining term of the lease. Conditions of the lease also provide that the leased premises are to be used by the Association and Southeastern Louisiana University. The landlord agrees to assume responsibility for maintenance, repair, and replacement obligations and all obligations to pay utilities, sewer, telephone and other communication services used on the leased premises, all taxes, and insurance in amounts reasonably satisfactory to the Tenant. The agreement also provides for sub-letting a portion of the premises to Southeastern Louisiana University.

Sublease Agreement

On October 3, 1993, the Association entered into a sublease agreement with Southeastern Louisiana University. The sublease refers to the premises leased in the preceding paragraph. The sublease provides for the Association to reserve approximately 3,000 square feet of office space together with the non-exclusive use of restroom facilities, work area, conference rooms, and banquet rooms. The Association specifically reserves the exclusive right to sublease the banquet room. The terms of the sublease are the same as those contained in the primary lease. The consideration is for a rental amount to be calculated on a base figure of \$323,800 plus interest at a market rate amount loan for a 15-year period. For years 1-5, the sum of \$3,040 per month was calculated on a principal of \$323,800 with an interest rate of 3.6%. years 6-15, the monthly lease payments will be adjusted annually and calculated with an amortization of the principal amount of \$323,800 together with an interest rate 3% above the New York prime interest rate. Currently, the monthly rent being collected remains at \$3,040. For years 16-25, the monthly lease payment will be the sum of \$1.00 per year.

Note 6 - Related Parties -

The Southeastern Development Foundation, Inc. ("Foundation"), a non-profit organization, occupies offices in the Alumni Center. These offices are leased from the Association by Southeastern Louisiana University (University) who provides for the use by the Foundation. The Foundation obtains donations for the University and also for the Association. In addition, the Association contributed \$60,000 during the fiscal year ended June 30, 2002 to the Foundation.